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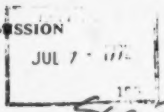

SEC 2260

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-10201

TGX CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	72-0890264 (I.R.S. Employer Identification No.)
509 Market Street, Suite 500 Shreveport, LA (Address of principal executive offices)	71101 (Zip Code)

(318) 221-0707
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

As of June 30, 1992, there were 25,313,533 outstanding shares of TGX Corporation Common Stock, $.01 par value.

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TGX CORPORATION
Report on Form 10-Q For The Quarter Ended March 31, 1992

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TGX Corporation
Report on Form 10-Q For The Quarter Ended March 31, 1992

Part I. Financial Information.

Item 1. Financial Statements.

The accompanying unaudited consolidated financial statements of TGX Corporation ("TGX") and its subsidiaries (collectively the "Company") have been prepared in accordance with Rule 10-01 of Regulation S-X, "Interim Financial Statements", and accordingly do not include all information and notes required under generally accepted accounting principles for complete financial statements. The financial statements have been prepared in conformity with the accounting principles and practices as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 1991. In the opinion of the Company's management, these interim financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation, in all material respects, of the Company's financial position as of March 31, 1992 and the results of its operations and changes in cash flows for the three month period ended March 31, 1992. Results of operations for the three month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. Certain reclassifications of prior period financial statements have been made to conform to the 1992 presentation. The results of operations for the three month period ended March 31, 1991 have also been adjusted to reflect the discontinuance of operations related to the Company's natural gas marketing business segment. It is recommended that these unaudited consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

As described in the Company's Annual Report on Form 10-K for the year ended December 31, 1991 and the notes to unaudited consolidated financial statements included herein, on February 22, 1990, TGX filed a voluntary petition for reorganization pursuant to Chapter 11, Title 11 of the United States Code (the "Bankruptcy Code"). An Amended Plan of Reorganization (the "Plan") for TGX was confirmed on January 7, 1992. However, due to TGX's current financial position, there can be no assurance that the confirmed Plan will be consummated or, if consummated, that it can be fully implemented. If TGX cannot fully implement the terms of the Plan, TGX may be forced to seek further relief under the Bankruptcy Code.

TGX Corporation and Subsidiaries
(In U. S. Chapter 11 proceedings as of February 22, 1990)
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Thousands of dollars)	March 31, 1992	December 31, 1991
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,283	$ 870
Accounts receivable, net of allowance for doubtful accounts of $947 and $900	1,639	2,867
Accounts receivable from affiliates	1,373	1,254
Other current assets	274	433
Total current assets	4,569	5,424
Property and equipment:		
Oil and natural gas properties under full-cost method	212,721	213,078
Other property and equipment	3,475	3,475
Accumulated depletion, depreciation and amortization	(169,127)	(167,802)
Property and equipment, net	47,069	48,751
Accounts and notes receivable from affiliates	550	546
Other assets	2,439	1,305
TOTAL ASSETS	$ 54,627	$ 56,026
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities generally not subject to compromise:		
Post-petition accounts payable and accrued liabilities	$ 9,318	$ 7,957
Current maturities of long-term debt	5,054	-
Pre-petition secured debt	-	25,408
Total current liabilities generally not subject to compromise	14,372	33,365
Pre-petition current liabilities subject to compromise:		
Priority debt	429	429
Unsecured debt	87,855	87,669
Total pre-petition current liabilities subject to compromise	88,284	88,098
Long-term debt, less current maturities	21,417	-
Total liabilities	124,073	121,463
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, $1.00 par value: 25,000,000 shares authorized; 300,000 shares issued (liquidation preference of $10.00 per share)	300	300
Common stock, $.01 par value: 100,000,000 shares authorized; 28,976,791 shares issued	290	290
Additional paid-in capital	89,409	89,409
Deficit	(151,097)	(147,088)
Treasury stock, at cost (3,663,258 shares)	(8,348)	(8,348)
Total stockholders' deficit	(69,446)	(65,437)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 54,627	$ 56,026

See accompanying notes to unaudited consolidated financial statements.

TGX Corporation and Subsidiaries
(In U. S. Chapter 11 proceedings as of February 22, 1990)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(Thousands except per share data)	Three Months Ended March 31, 1992	1991
REVENUES		
Oil and natural gas production	$ 2,112	$ 2,521
Natural gas gathering	111	152
Share of earnings of natural gas treating plant	58	123
Other, net	16	15
	2,297	2,811
COSTS AND EXPENSES		
Operating expenses	1,118	866
Depletion, depreciation and amortization	655	1,509
Full cost ceiling adjustment	670	-
General and administration expenses	1,110	935
Interest, post-petition	673	723
Reorganization expenses, net of post-petition interest income	371	438
	4,597	4,471
LOSS BEFORE INCOME TAXES	(2,300)	(1,660)
Income tax expenses	-	-
LOSS FROM CONTINUING OPERATIONS	(2,300)	(1,660)
INCOME FROM DISCONTINUED OPERATIONS	-	225
	(2,300)	(1,435)
Preferred stock dividends	(1,709)	-
NET LOSS APPLICABLE TO COMMON STOCK	$ (4,009)	$(1,435)
PER SHARE AMOUNTS		
Loss from continuing operations	$ (.16)	$ (.07)
Income from discontinued operations	-	.01
Net Loss	$ (.16)	$ (.06)
AVERAGE COMMON SHARES OUTSTANDING	25,314	25,314

See accompanying notes to unaudited consolidated financial statements.

TGX Corporation and Subsidiaries
(In U. S. Chapter 11 proceedings as of February 22, 1990)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Thousands)	Three Months Ended March 31, 1992	1991
Cash flows from operating activities:		
Net loss	$ (2,300)	$ (1,435)
Adjustments to reconcile net loss to cash provided by operating activities:		
Discontinued operations	-	(225)
Depletion, depreciation and amortization	1,325	1,509
Amortization of debt issuance costs	83	-
Changes in operating assets and liabilities:		
Decrease in accounts receivable	1,228	1,139
(Increase) decrease in accounts receivable from affiliates	(119)	186
Decrease in other current assets	159	4
Decrease in accounts payable and accrued expenses	(162)	(605)
Decrease in other current liabilities	-	(23)
Decrease in other assets	-	40
Net cash provided by operating activities from continuing operations	214	590
Net cash provided by Discontinued Operations	-	494
Net cash provided by operating activities	214	1,084
Cash flows from investing activities:		
Capital expenditures	(71)	(124)
Cash proceeds from asset sales	428	-
Investing activities of Discontinued Operations	-	(10)
Decrease in other assets	29	-
Net cash provided (used by) investing activities	386	(134)

(Continued)

See accompanying notes to unaudited consolidated financial statements.

TGX Corporation and Subsidiaries
(In U. S. Chapter 11 proceedings as of February 22, 1990)
CONSOLIDATED STATEMENTS OF CASH FLOWS (Concluded)
(Unaudited)

(Thousands)	Three Months Ended March 31, 1992	1991
Cash flows from financing activities:		
Debt issuance costs	$ (1,250)	$ -
Principal payments on long-term debt	(25,987)	(658)
Proceeds related to term loans pursuant to Amended Credit Agreement	26,850	-
Advance pursuant to revolving credit facility	200	-
Financing activities of Discontinued Operations	-	(450)
Net cash used by financing activities	(187)	(1,108)
Net increase (decrease) in cash and cash equivalents	413	(158)
Cash and cash equivalents at beginning of period	870	3,641
Cash and cash equivalents at end of period	$ 1,283	$ 3,483
Supplemental Cash Flow Information regarding Reorganization Proceeding:		
Cash expenditures primarily for professional fees	$ (37)	$ (141)
Interest earned, post-petition	10	56
Net cash outflows for reorganization proceedings	$ (27)	$ (85)

See accompanying notes to unaudited consolidated financial statements.

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TGX Corporation and Subsidiaries
(In U.S. Chapter 11 proceedings as of February 22, 1990)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

TGX Corporation ("TGX") and Subsidiaries (collectively, the "Company"), is a domestic independent energy company engaged in the production of oil and natural gas. From 1987 through 1991, the Company was also engaged in the marketing of natural gas and, to a lesser degree, providing natural gas transportation services. As the result of the sale of its wholly-owned subsidiary, LEDCO, Inc. ("LEDCO") on December 31, 1991, but effective August 31, 1991, the Company's net assets related to natural gas marketing and transportation operations were eliminated.

As discussed in Note 2, on February 22, 1990, TGX filed a voluntary petition for reorganization pursuant to Chapter 11 of the Bankruptcy Code (the "Reorganization Proceeding"). TGX's wholly-owned subsidiaries, LEDCO, TGX Finance Corporation ("TFC"), Diablo Farms, Inc., and Templeton Energy Income Corporation ("TEIC"), did not file petitions for reorganization under the Bankruptcy Code nor have any of the limited or general partnerships for which TGX serves as general partner. On January 7, 1992, the Bankruptcy Court confirmed an Amended Plan of Reorganization (the "Plan") for TGX which became effective on January 21, 1992. As of March 31, 1992 the Plan was not yet substantially consummated.

The unaudited consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X, "Interim Financial Statements", and accordingly do not include all information and notes required under generally accepted accounting principles for complete financial statements. The financial statements have been prepared in conformity with the accounting principles and practices as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 1991 (the "1991 10-K Report"). In the opinion of the Company's management, these interim financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation, in all material respects, of the Company's financial position as of March 31, 1992 and the results of its operations and changes in cash flows for the three month period ended March 31, 1992. Results of operations for the three month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. Certain reclassifications of prior period financial statements have been made to conform to the 1992 presentation. The results of operations for the three month period ended March 31, 1991 have also been adjusted to reflect the discontinuance of operations related to LEDCO, the Company's natural gas marketing business segment. It is recommended that these unaudited consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the 1991 10-K Report.

TGX and other parties in interest have filed objections to numerous claims related to the Reorganization Proceeding. Depending on whether these objections are approved or disapproved by the Bankruptcy Court, the amount of finally allowed claims could be less or more than the pre-petition liabilities subject to compromise that are presented on the March 31, 1992 unaudited consolidated balance sheet. The unaudited consolidated financial statements do not reflect the effect, if any, of additional adjustments that may occur as a result of the Reorganization Proceeding. These adjustments could affect (i) the amount and classification of liabilities and (ii) existing stockholders' deficit.

The unaudited consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. The eventual result of the Reorganization Proceeding is not presently determinable.

2. REORGANIZATION PROCEEDING

Pursuant to the provisions of the Plan, TGX will provide for (i) the payment in full of its secured debt by the issuance of new notes pursuant to the terms of a restructured credit agreement and (ii) the conversion of substantially all unsecured debt to preferred equity through the issuance of senior preferred stock and junior preferred stock with redemption and dividend provisions intended to provide for the payment in full of such unsecured debt over time. In addition, under the Plan, administrative, tax and priority, and certain other specified classes of claims and interests arising from options for common stock are to be paid in cash, retained or otherwise provided for. While the Plan provided that in certain circumstances there would be an option to receive cash for a portion of the claims of substantial unsecured creditors, such option was not available due to the Company's cash position.

TGX is a party to numerous executory contracts which, pursuant to the provisions of the Bankruptcy Code, could be assumed or rejected by TGX. Substantially all pre-petition obligations related to these executory contracts are included in the March 31, 1992 pre-petition obligations subject to compromise. If an executory contract was assumed by TGX, all defaults related to the executory contract must be cured (paid-in-full with cash). If an executory contract was rejected by TGX, all claims related to the executory contract will be satisfied pursuant to the terms of the Plan.

The following Pro-forma Consolidated Balance Sheet of the Company as of March 31, 1992 is presented to illustrate the effects of the Plan on the financial condition of the Company assuming (1) the Plan is fully implemented and (2) the full amount of administrative and other claims not yet finally allowed are in fact allowed by the Court. Due to TGX's current cash position, amounts to be satisfied in cash have been reclassified to "Accounts Payable and accrued expenses". There can be no assurance the Plan will ultimately be fully implemented without amendment and, therefore, the following Pro-forma Balance Sheet may not reflect the ultimate and final terms of the Plan.

(Thousands)	MARCH 31, 1995 AS REPORTED		PRO-FORMA ADJUSTMENTS	PRO-FORMA BALANCE MARCH 31, 1995
ASSETS				
Current	$ 4,569		$ -	$ 4,569
Property and equipment, net	47,069		-	47,069
Other long-term assets	2,989		-	2,989
	$ 54,627		$ -	$ 54,627
LIABILITIES AND DEFICIT				
Accounts payable and accrued liabilities	$ 9,318	(A)	$ 429	$ 11,165
		(B)	489	
		(E)	95	
		(F)	786	
		(G)	48	
Current maturities of long-term debt	5,054		-	5,054
Long-term debt less current maturities	21,417		-	21,417
Pre-petition unsecured claims subject to compromise	88,284	(A)	(429)	-
		(B)	(489)	
		(C)	(554)	
		(D)	(85,883)	
		(E)	(95)	
		(F)	(786)	
		(G)	(48)	
Total liabilities	124,073		(86,437)	37,636
Redeemable preferred stock	-	(D)	85,883	85,883
Common stockholders' deficit	(69,446)	(C)	554	(68,892)
	$ 54,627		$ -	$ 54,627

(A) Record Priority Claims in the amount of $429 as immediately due and payable.
(B) Record Forest Oil Corporation Class 4 claim as immediately due and payable.
(C) Record issuance of Old Preferred Stock for dividends due on Old Preferred Stock.
(D) Record issuance of Senior Preferred Stock for Large Unsecured Class 6 Claims and Class 9 Small Unsecured Claims Greater than $500 but less than $15,000.
(E) Record Class 10 Small Unsecured Claims of $500 or less as immediately due and payable.
(F) Record Class 13 Executory Contract Claims as immediately due and payable.
(G) Record Class 5 Other Secured Claims as immediately due and payable.

3. LONG-TERM DEBT

As discussed in Note 2, on February 22, 1990 TGX commenced the Reorganization Proceeding which constituted an event of default under the Company's long-term debt agreements.

As a result of the Reorganization Proceeding, the contractual terms of the Company's unsecured long-term debt subject to accelerated payment were stayed subject to the approval of the Bankruptcy Court.

Pursuant to the terms of the Plan, effective February 1, 1992, TGX executed an Amended and Restated Credit Agreement ("Amended Credit Agreement") with Bank of Montreal ("BMO") which essentially continued and preserved the prior revolving credit agreement. In March 1992, the Amended Credit Agreement was further amended to provide for the issuance of letters of credit. The general provisions of the term loans under the Amended Credit Agreement are:

Description	Original Principal Amount	Interest Rate	Maturity Date
Loan A	$15,600,000	BMO Prime plus 1.5%	December 31, 1994
Loan B	10,000,000	13%	December 31, 1993
Loan C	1,250,000	BMO Prime plus 1.5%	December 31, 1993

The Amended Credit Agreement also provides for a $500,000 Revolving Credit Facility which may be utilized only for working capital or the issuance of letters of credit. Interest for cash advances pursuant to the Revolving Credit Facility is calculated at BMO Prime plus 1.5% and BMO's commitment regarding this facility expires on December 31, 1994 unless an event of default exists.

Pursuant to the terms of the Amended Credit Agreement, the Company is required to make a monthly debt service payment and it must satisfy periodic principal reductions. The debt service payments are applied toward interest and fees related to the Revolving Credit Facility and Term Loan A with any excess being applied toward principal reductions for Term Loan A. Any debt service payments in excess of the required reductions for Term Loan A are applied toward accrued interest and principal for Term Loans B and C. All accrued interest for Term Loans B and C must be paid in full on December 31, 1992 and at maturity.

The Amended Credit Agreement is secured by substantially all assets of the Company. The Amended Credit Agreement includes customary covenants regarding financial reporting and ratios and generally prohibits capital expenditures in excess of specified amounts and the payment of dividends unless certain requirements are satisfied.

Pursuant to the terms of the Amended Credit Agreement, the Company is required to make certain minimum debt service payments. On April 30, 1992, the Company did not satisfy in full the required debt service payment and as a result BMO notified the Company that an Event of Default had occurred under the Amended Credit Agreement. BMO has further notified the Company that BMO is entitled to terminate its obligation to extend further credit and accelerate the loans under the Amended Credit Agreement. TGX's current deficiency for the April 30, 1992 required debt service payment is $150,000. If the Event of Default cannot be cured, the Company may be required to sell or otherwise dispose of certain of its assets or to otherwise renegotiate the Amended Credit Agreement in order to cure the Event of Default. There can be no assurance that the Company will be able to sell sufficient assets or to otherwise renegotiate the

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Amended Credit Agreement. The Company cannot predict the effect this Event of Default will have on the Company's future operations or viability if it is not cured.

4. COMMITMENTS AND CONTINGENCIES

National Fuel Gas Distribution Corporation ("NFG")

Since November 30, 1984, TGX has been involved in litigation in the United States District Court for the Western District of New York ("New York Federal Court") (Civ. No. 84-1372-E) with NFG as to the validity of a contract (the "Contract") pursuant to which TGX (as successor-in-interest to Paragon Resources, Inc. ("Paragon"), the original contracting party) sells certain natural gas production to NFG. The litigation addresses, among other things, the continued validity of the Contract, the price for gas sold, and certain take-or-pay claims. TGX is claiming that it is entitled to, at a minimum, the highest price permitted under the Natural Gas Policy Act.

On January 16, 1991 the New York Federal Court granted a motion for summary judgment, certified as final for purposes of appeal, declaring the Contract to be void as of December 20, 1983. The New York Federal Court's judgment was based on its determination that the New York Public Service Commission, in an earlier NFG rate proceeding, intended to cancel the Contracts even though it did not so state and even though TGX had neither notice nor an opportunity to appear in the proceeding.

On December 3, 1991, the Court of Appeals for the Second Circuit ("Court of Appeals") (Case No. 91-7127) reversed the judgment of the New York Federal Court and held that the Contract had not been voided and, therefore, remains in effect. The Court of Appeals remanded the case to the New York Federal Court for further proceedings not inconsistent with the opinion of the Court of Appeals. A motion for a Partial Summary Judgement regarding the price to be paid under the Contract is pending. The outcome of this matter cannot be determined at this time. TGX's current management has determined that it will seek settlement negotiations with NFG. However, there can be no assurances that any such negotiations will be productive or the ultimate effect on TGX's operations of any settlement. Any settlement between TGX and NFG must be approved by the Bankruptcy Court. Absent settlement, TGX will vigorously pursue litigation with NFG.

Since September 1984, NFG has been paying TGX for natural gas production at a price substantially less than the price TGX believes the Contract provides. As of March 31, 1992, TGX estimates, based on its interpretation of the pricing provision of the Contract, that the price differential attributable to its interest in the wells subject to the Contract was approximately $20,000,000, including interest computed at 9%. TGX has filed an adversary proceeding (the "Turnover Proceeding") in the Bankruptcy Court to compel NFG to pay the amount due to it pursuant to the provisions of the Contract. On June 19, 1992, TGX and NFG entered into a Partial Settlement Agreement, subject to Bankruptcy Court approval, regarding the settlement of some, but not all, of their disputes with neither party admitting that any claim or defense asserted or capable of being asserted in any pending litigation between them is valid nor did any party admit any liability. Pursuant to the provisions of the Partial Settlement Agreement, TGX will (i) dismiss, without prejudice, the Turnover Proceeding with the action currently pending in the New York Federal Court proceeding to a final resolution subject to any possible settlement negotiations, (ii) release NFG (subject to certain limitations) from any and all liability and affirmative claims for relief alleged to arise from or based upon certain evidence presented by TGX in the Turnover Proceeding, and (iii) reserve its rights regarding the assumption or rejection of certain other relatively minor gas purchasing agreements with NFG. On July 6, 1992, a hearing will be conducted in Bankruptcy Court regarding the Partial Settlement Agreement. Upon final approval

of the Partial Settlement Agreement, NFG will pay TGX $2,940,000 which shall be credited against any amount which may be adjudged due to TGX from NFG.

For the natural gas reserves dedicated under the Contract, TGX's calculation of the standard measure of discounted future net cash flows attributable to its oil and natural gas reserves ("Standardized Measure") had previously been based upon TGX's interpretation of the pricing provisions of the Contract and not the price being received by TGX from NFG. Previously, TGX intended to pursue the NFG litigation to a final resolution or only accept a settlement that would result in TGX realizing its interpretation of the full economic effect of the Contract. However, due to the current factual situation and the inherent uncertainty regarding any settlement negotiations or the outcome of litigation with NFG, there can be no assurance that TGX would realize the economic effect of the Contract as previously reflected in TGX's calculation of its proved oil and natural gas reserves. Therefore, in accordance with generally accepted accounting principles, effective December 31, 1991, TGX calculated its Standardized Measure based on the price actually being paid by NFG. Net capitalized costs related to oil and natural gas properties in excess of the revised Standardized Measure were charged to operations in the fourth quarter of 1991. While TGX is continuing the litigation with NFG regarding the Contract, it is also pursuing the possibility of a negotiated settlement. The ultimate result of the litigation or any settlement could have a material effect on the value of TGX's proved reserves. However, TGX can make no prediction as to the effect of or when the litigation will finally be resolved.

Gaylon D. and Gloria Annette Turner Simmons

On November 13, 1987, TGX commenced a legal action against Simmons in the United States District Court for the Eastern District of Louisiana ("Eastern Louisiana Federal Court") (Case No. 87-5928) for breach of contract and negligent misrepresentation in connection with the acquisition of LEDCO. Simmons counterclaimed alleging, among other things, violations of federal and state securities laws, misrepresentation and mismanagement. Simmons' counterclaim alleged damages in the amount of $8,000,000 which represents claims regarding the $5,000,000 of deferred consideration owed to Simmons by TGX and the $3,000,000 of Old Preferred owned by Simmons. In July 1989, TGX dismissed, with prejudice, its claims against Simmons.

Subsequent to the commencement of the Reorganization Proceeding, Simmons commenced federal and state legal actions against certain of TGX's former directors and other parties alleging complaints similar to those alleged against TGX. In addition to providing certain insurance coverage, TGX may have an obligation to indemnify certain of the defendants to the extent permitted by the General Corporation Law of Delaware ("Delaware Law") and TGX's certificate of incorporation and by-laws. Subject to Bankruptcy Court approval, TGX has agreed to advance the costs of litigation for the former directors pursuant to Delaware Law and has obtained the written agreement of affected directors to repay such advances to the extent such costs are later deemed not properly indemnifiable. Pursuant to the Plan, any such advances to the former directors for litigation costs will be satisfied with the issuance of Junior Preferred Stock. As of June 30, 1992, TGX had made no such advances to the former directors. The defendants filed a motion to dismiss the legal actions against them based on the expiration of the statue of limitations. Based upon this motion, the Eastern Louisiana Federal Court dismissed the federal claims without prejudice and took the dismissal of the state claims under advisement. In February 1992, before the order of dismissal and judgment was entered, a hearing was held regarding a motion filed by Simmons to reinstate their previously dismissed claims. As a result of this hearing, the Eastern Louisiana Federal Court denied the motion and ordered that a judgement be entered dismissing the state claims. The Simmons have appealed this

decision. Pursuant to the terms of the Plan, Simmons have agreed not to pursue their claims against TGX

Other

On December 27, 1989, certain limited partners of certain partnerships (the "Partnerships") for which TGX serves as general partner filed a legal action against TGX in the Louisiana Federal Court (Civil Action No. CV89-29595). The complaint sought injunctive relief requiring TGX, as general partner of the Partnerships, to allow the plaintiffs access to all Partnership records and also prayed for an accounting as to all Partnership monies. The plaintiffs also sought certain unspecified damages based upon alleged breach of contract and breach of fiduciary duty. As a result of the commencement of the Reorganization Proceeding, this matter was stayed. The limited partners filed proofs of claims in the Bankruptcy Court containing the same basic allegations as set forth in the above described legal action. The limited partners agreed to submit their claims to arbitration and on May 5, 1992, the arbitration findings and award report was submitted to the Bankruptcy Court. Based on this report, it is estimated that the Partnerships will be allowed pre-petition unsecured claims of approximately $6,275,000 including interest. Pursuant to the provisions of the Plan, the pre-petition claims of the Partnerships will be satisfied with the issuance of Senior Preferred Stock. In addition, based on the arbitration report, it is estimated that the Partnerships will have a post-petition claims of approximately $408,000.

In January 1990, the New York State Department of Environmental Conservation, Division of Mineral Resources ("Department") notified TGX that it considered TGX to be in violation of certain provisions of the environmental conservation laws of the State of New York concerning approximately 150 natural gas wells and production facilities located in Chautauqua and Erie Counties. The Department alleged that TGX violated certain New York laws in that the natural gas wells were "shut-in" for a period of time beyond one year, or had been abandoned and had not been plugged. To settle this dispute with the Department, TGX has entered into a consent order with the Department ("Agreed Order") providing that TGX will (i) submit status reports to the Department at a future date that will disclose the production history for certain wells, (ii) install dehydration equipment on certain wells, (iii) submit to the Department a schedule identifying certain wells to be serviced, (iv) submit to the Department a "Plugging and Abandonment Program" for certain wells, and (v) submit to the Department a testing and reporting sch edule for certain wells. TGX believes that by entering into the Agreed Order with the Department, it will save substantial money by avoiding protracted litigation. The Agreed Order imposes a civil penalty on TGX in the amount of $139,000, which is suspended permanently if TGX complies with its terms. As of June 1, 1992, TGX has begun or completed operations on 133 wells and believes it will be able to comply fully with all of the terms and conditions of the Agreed Order. Pursuant to the Department's requirements, TGX is obligated to provide a letter of credit of at least $150,000 which may be utilized by the Department if TGX does not comply with the Agreed Order. The estimated cost of complying with the terms of the Agreed Order is $400,000.

From time to time, in the normal course of business, the Company is a party to various other matters of litigation the outcome of which, in the opinion of the Company's management, will not have a material adverse effect on the Company.

5. DISCONTINUED OPERATIONS

On December 31, 1991, TGX completed the sale of its wholly-owned subsidiary, LEDCO. In exchange for one hundred percent of the issued and outstanding common and preferred stock of LEDCO, TGX received $2.9 million in cash and the assignment

from Steinhardt Partners, L. P. ("Steinhardt") of $2,403,000 million of claims related to TGX's Senior Subordinated Fixed Rate Notes ("Claims").

The final amount of the Claims to be assigned to TGX was subject to adjustment based on the change in working capital, as defined in the sale agreement, from August 31, 1991 to December 31, 1991 ("Working Capital Adjustment"). In June 1992, Steinhardt and TGX determined the final Working Capital Adjustment and as a result, TGX will transfer $258,000 of the Claims to Steinhardt. Pursuant to the Amended Credit Agreement requirements, the Claims may be applied toward the payment of costs related to the consummation of the Plan or will be held by BMO as collateral for TGX's obligation to BMO. Accordingly, the Claims have not been cancelled and, due to the lack of a current market, have been assigned no value.

6. LITIGATION AGAINST FORMER DIRECTORS AND OFFICERS OF PARAGON

In 1992, the Company commenced several actions in the Bankruptcy Court against Paragon, J. C. Templeton (former President, Chief Executive Officer and Director), W. M. Templeton (the son of J. C. Templeton and also a former director), and a number of other former directors of the Company for violations of their fiduciary obligations, gross negligence, mismanagement and usurpation of corporate opportunities.

An adversarial proceeding (No. 92-AP-1007) was commenced against Paragon, Paragon Private Drilling Program 1982 and Paragon Private Drilling Program 1982-2, two of its drilling partnerships, alleging that TGX and Paragon had entered into a Participation Agreement which provided for the sharing of certain expenses and revenues incurred in the operation of certain oil and gas wells in New York State, that Paragon subsequently assigned all or a portion of its rights in the Participation Agreement to the defendant drilling partnerships, and that, contrary to the terms of the Participation Agreement, 23 assignments of working interests in producing wells were made to the drilling partnerships. The Company asserts that the assignments were made without the payment of consideration at a time when all of the defendants owed substantial sums of money to TGX and when TGX was otherwise insolvent. As relief, TGX seeks a declaration that the assignments are void. A trial regarding this matter has tentatively been set for September 3, 1992.

The Company has commenced an adversary proceeding (No. 92-AP-1008) against Paragon, Majestic Energy Corporation, and Majestic Farms, Inc. alleging that TGX had rendered certain services to, and had incurred significant expenses and costs on behalf of, each of the defendants for which TGX was entitled to compensation. As relief, TGX seeks in excess of $3,000,000 plus interest from the defendants. A trial regarding this matter has tentatively been set for September 3, 1992.

In addition, the Company commenced an adversary proceeding (No. 92-AP-1029) against J. C. Templeton and W. M. Templeton, certain Templeton owned or controlled alter-ego entities and certain former directors. The Company alleges that the named defendants, acting alone or in concert with the other defendants, participated in individual and/or concerted activities constituting a breach of their fiduciary duties of care, loyalty and trust as officers and/or directors of TGX. In particular, J. C. Templeton and W. M. Templeton, as executive officers and directors of TGX, are alleged to have entered into a series of affiliated entity transactions resulting in personal benefits to themselves and other members of the Templeton family at the expense of TGX. These transactions are alleged to constitute, on the one hand, a gross abuse of the Templetons' corporate powers and a breach of their duties of care and loyalty and, on the other hand, the waste of corporate assets, spoliation and prohibited self dealing. The Company further alleges that each of these Templeton-affiliated transactions were undertaken without a determination by the remaining members of

the board of directors that the transactions were the product of arms-length negotiations, were fair to TGX shareholders, and were ultimately in the best interests of the Company. Each of the remaining director-defendants is said to have failed to discharge his fiduciary duties of care and loyalty to TGX by failing to keep himself informed of the conduct of the Templetons, to insist that the board participate in the decision-making processes of the Company and to insure that the affiliated-entity transactions of the Templetons were reviewed to ascertain whether these transactions were fair and in the best interests of TGX. The Company seeks damages against each of the defendants, jointly and severally, in an amount not less than $10,000,000. In April 1992, certain former directors brought a separate action in the Delaware Chancery Court alleging that (i) the Company's claims were barred by the statute of limitations, (ii) the Company's Articles and By-Laws exonerated these former directors, and (iii) the former directors were entitled to indemnification and advancement of legal fees by the Company. The Company intends to vigorously defend against the claims made in the Delaware action.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion provides information which management believes is relevant to an understanding and assessment of the Company's results of operations, financial condition, and those presently known events, trends or uncertainties that are reasonably likely to have a material impact on the Company's future results of operations or financial condition or that are reasonably likely to cause the historical financial statements not to be necessarily indicative of future operating results or financial condition. It should be read in conjunction with the unaudited consolidated financial statements and related notes appearing elsewhere herein and the Company's 1991 10-K Report. On December 31, 1991, LEDCO was sold and the Company is no longer engaged in natural gas marketing. Accordingly, the analysis and discussion in this section pertains only to the continuing operations of the Company.

RESULTS OF OPERATIONS

Consolidated revenues for the first quarter of 1992 decreased 18% to $2,297,000 compared to $2,811,000 for the first quarter of 1991. This decrease in consolidated revenue is primarily attributable to (i) a decrease of oil and natural gas sales volumes due to the sale of certain producing oil and natural gas properties and the overall natural production decline of the remaining oil and natural gas properties, (ii) a decrease of natural gas throughput volumes for gathering and treating operations, and (iii) a rate reduction for natural gas treating which will be recouped in subsequent months.

For the three month periods ended March 31, 1992 and 1991, summaries of oil and natural gas production and revenues are:

	1992	1991	Change
Oil revenues (in thousands)	$ 398	$ 652	(39) %
Oil production (barrels)	22,000	32,000	(31) %
Oil average price per barrel	$18.09	$20.38	(11) %

Summary of Natural Gas Production and Revenues

	1992	1991	Change
Natural gas revenues (in thousands)	$ 1,714	$ 1,869	(8) %
Natural gas production (Mmcf)	837	1,093	(23) %
Natural gas average price per Mcf	$2.05	$1.71	20 %

On an equivalent unit basis (one barrel of oil equals six Mcf of natural gas), natural gas represents 86% of the Company's oil and natural gas production volumes. Natural gas represents 81% of consolidated oil and natural gas revenues which is indicative of (i) the current natural gas deliverability surplus that has resulted in lower natural gas prices and (ii) the marketing of oil and natural gas as commodities rather than competing fuels based on relative heating content. For the foreseeable future, the Company's production mix will continue to be weighted toward natural gas.

The price that the Company receives for its oil and natural gas production depends on many variables over which it has little or no control including, but not limited to, (i) the supply of and demand for oil and natural gas, (ii) the level of imports, (iii) the political

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stability of foreign governments, (iv) the capacity and proximity of natural gas pipelines, (v) the fluctuations in seasonal demand, and (vi) governmental regulations.

A significant portion of the Company's natural gas production is sold in the Northeast United States at prices generally above the average domestic natural gas spot market price. In 1991, a pipeline system was installed in this area for the purpose of importing natural gas from Canada which is generally sold at prices below the United States natural gas spot market. Currently, the importation of the Canadian gas and more significantly the quantity of natural gas in storage has not had a material adverse effect upon the price that the Company is receiving for its natural gas production in this area. However, due to the current depressed status of the natural gas market and the continued replenishing in non-peak seasons of gas in storage, the Company cannot predict the effect, if any, that the large quantity of natural gas in storage, and the importation of natural gas from Canada will have on natural gas spot prices in this area.

In 1991, the New York legislature passed the "Petroleum Business Tax" that imposed a new tax on natural gas at a basic rate of $.445 per Mcf. The natural gas tax was subsequently repealed and did not have a significant effect on the Company's operations. However, the natural gas tax legislation has been reintroduced in the New York legislature and the Company cannot predict whether the tax will become law and, if so, the effect, if any, that the tax will have on its operations if it becomes a law due to exemptions that may be applicable to the Company's operations.

The results of the Company's oil and natural gas operations reflect a trend of decreasing oil and natural gas revenues that is primarily attributable to (i) the natural decline of oil and natural gas production rates (ii) the sale of certain producing oil and natural gas properties, and (iii) generally lower prices. Due to the cash required to consummate the Plan and satisfy debt service and other obligations, it is not anticipated that the Company will engage in any significant leasehold acreage acquisition or drilling activities in the foreseeable future. In an effort to increase or maintain the current level of existing oil and natural gas production, the Company expects to conduct certain well maintenance operations and also install certain production and marketing equipment. The extent of these operations will be dependent upon the Company's discretionary cash flow. There can be no assurance as to the ultimate outcome of the Company's efforts to increase or maintain the current level of its oil and natural gas production.

The Company has accepted offers to sell (i) certain of its interests in oil and natural gas reserves located in Oklahoma and Texas and (ii) other assets. In accordance with the provisions of the Amended Credit Agreement, through June 30, 1992 $1,518,000 of the aggregate $1,530,000 net proceeds related to these sales have been applied toward the satisfaction of claims and expenses related to the consummation of the Plan. The $12,000 balance of the net proceeds is segregated for the payment of the remaining costs of consummating the Plan. The Company is currently reviewing its oil and natural gas properties and other assets to identify marginal or non-core assets for which it will consider soliciting offers to sell.

Pursuant to the terms of various agreements, the Company, as a working interest owner, is responsible for marketing its share of natural gas production from certain properties. If the Company is unable or unwilling to market its share of natural gas production from a property, its under-produced status is subject to balancing with other working interest owners who have sold more than their pro-rata share of natural gas production. On an aggregate net basis for certain natural gas properties, the Company is an under-produced party for approximately 650,000 Mcf. The Company is reviewing this matter and will conduct negotiations to recoup or otherwise settle its net under-produced status. The Company is also reviewing its natural gas contracts to identify any remaining claims that it may assert regarding take-or-pay or pricing provisions.

Consolidated costs and expenses for the first quarter of 1992 increased 3% to $4,597,000 compared to $4,471,000 for the first quarter of 1991.

Operating expenses increased 29% to $1,118,000 compared to $866,000. Operating expenses for the first quarter of 1992 and 1991 were 53% and 34% of oil and natural gas revenues, respectively. The increase in operating expenses is primarily attributable to operations related to the Company's oil and natural gas properties in the Northeastern United States that were conducted to (i) increase or maintain natural gas production volumes or (ii) comply with the provisions of the Company's Agreed Order with the New York State Department of Environmental Conversation. Certain operating expenses are fixed in nature and accordingly will not vary with increases or decreases in oil and natural gas production.

Depletion, depreciation, and amortization decreased 57% to $655,000 in the first quarter of 1992 from $1,509,000 in the first quarter of 1991 primarily due to (i) a lower per unit depletion and depreciation rate for oil and natural gas properties resulting from revisions to proved oil and natural gas reserves, and (ii) decreased oil and natural gas production volumes. Based on current information, it is estimated that the 1992 depletion and depreciation rate for oil and natural gas properties will be $.61 per equivalent Mcf. However, the depletion and depreciation rate could be affected by numerous items including the NFG Litigation, the ability of the Company to conduct oil and natural gas operations, and the price the Company receives for its oil and natural gas production, any one of which could materially affect the depletion and depreciation rate.

The Standardized Measure of oil and natural gas properties sold exceeded the net proceeds attributable to those properties by approximately $670,000. Accordingly, this amount, which is a non-cash item, was charged to operations in the first quarter of 1992.

General and administrative expenses in the first quarter of 1992 increased 19% to $1,110,000 from $935,000 in the first quarter of 1991. This increase is primarily attributable to (i) professional fees related to (a) the objection of certain administrative claims related to the Reorganization Proceeding, (b) the NFG litigation, (c) the Paragon litigation and (ii) transition costs for new management including the Board of Directors. In the fourth quarter of 1991, the Company reduced its administrative staff. In order to further reduce costs, the Company is currently reviewing its general and administrative expenses including the feasibility of consolidating offices and liquidating certain partnerships for which it is not currently receiving overhead reimbursements. In conjunction with (i) post-confirmation activities related to the Plan, (ii) the NFG litigation and (iii) the transition for new management, the Company anticipates incurring substantial legal fees in 1992. For the purpose of computing its debt service payments pursuant to the Amended Credit Agreement, which was effective February 1, 1992, the Company's general and administrative expenses cannot exceed sixteen percent (16%) of gross receipts, as defined. The Company's current general and administrative expense exceeds this limitation.

Interest expense decreased in the first quarter of 1992 to $673,000 from $723,000 during 1991. This decrease is primarily attributable to (i) the Company's weighted average secured indebtedness for the first quarter of 1992 compared to the same period in 1991 decreasing to $25,940,000 from $27,370,000, and (ii) the weighted average interest rate, excluding amortization of debt issuance costs in the first quarter of 1992, decreasing to 9.1% in the first quarter of 1992 compared to 10.6% during the same period in 1991. Assuming there is no change in the prime interest rate (currently 6.50%), the Company estimates that its weighted average interest rate under the Amended Credit Agreement will be 9.8% for the remainder of 1992.

Reorganization expense, net of post-petition interest income, decreased 15% in the first quarter of 1992 to $371,000 from $438,000 in the first quarter of 1991. Pursuant to the

provisions of the Plan, the amounts for certain finally allowed unsecured claims were increased by 50% of post-petition contractual interest. Accordingly, for the three month period ended March 31, 1992, reorganization expense includes $234,000 related to the accrual of post-petition contractual interest through January 21, 1992, the effective date of the Plan. Subsequent to the effective date, the Company will have no obligation for contractual interest related to unsecured finally allowed claims.

Effective January 21, 1992 and pursuant to the provisions of the Plan, estimated dividends related to the preferred stock issued and to be issued were accrued and charged to the net loss applicable to common stock.

As of December 31, 1991, the Company had federal tax net operating loss carryovers, investment tax credit and depletion carryforwards of approximately $287,000,000, $2,130,000 and $14,030,000, respectively. The federal tax net operating loss carryovers expire at varying times from 1995 to 2004. For federal tax reporting purposes, the Company will realize cancellation of indebtedness to the extent that the amount of finally allowed claims satisfied with Senior Preferred Stock exceeds the fair market value of the Senior Preferred Stock. The amount of the net operating loss carryover will be reduced by the amount of cancellation of indebtedness. Pursuant to the provisions of the Internal Revenue Code, a corporation which undergoes a "change of ownership" is generally subject to an annual limitation on the utilization of its net operating loss carryovers. However, since the Reorganization Proceeding was conducted pursuant to the Bankruptcy Code, the Company will elect an exemption to this general rule. In order to maintain this election, the Company must not have another change of ownership on or before January 21, 1994. For financial statement purposes, a portion of these carryovers and carryforwards have been utilized to reduce net deferred tax credits. Due to the current federal tax net operating loss carryovers and investment tax credit and depletion carryforwards, the Company currently pays no federal income taxes. In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109 regarding accounting for income taxes. This statement requires an asset and liability approach for financial accounting and reporting for income taxes due to the differences that can occur between the tax bases of assets or liabilities and their reported amounts in financial statements. Based on the Company's review of this statement, its implementation will not have a material impact on the Company.

FINANCIAL CONDITION

Pursuant to the terms of the Amended Credit Agreement, the Company is required to maintain a ratio of current assets, excluding receivables that have been outstanding by more than sixty days, to current liabilities, excluding current maturities of long-term debt, accrued administrative claims and expenses related to the Reorganization Proceeding, and accrued dividends, of not less than one-to-one.

Pursuant to the terms of the Amended Credit Agreement, the Company is required to make certain minimum debt service payments. On April 30, 1992, the Company did not satisfy in full the required debt service payment and as a result BMO notified the Company that an event of default had occurred under the Amended Credit Agreement. BMO has further notified the Company that BMO is entitled to terminate its obligation to extend further credit and accelerate the New BMO Loans. BMO has requested that the Company meet to discuss the Event of Default. TGX's current deficiency for the April 30, 1992 required debt service payment is $150,000. If the Event of Default cannot be cured, the Company may be required to sell or otherwise dispose of certain of its assets or to otherwise renegotiate the New BMO Loan in order to cure the Event of Default. There can be no assurance that the Company will be able to sell sufficient assets or to otherwise renegotiate the Amended Credit Agreement. The Company cannot predict the effect on the Company's future operations or viability if this default is not cured.

The Senior Preferred Stock has a liquidation preference value of $10.00 per share and is redeemable in whole or in part at the option of the Company at any time at a price per share equal to the liquidation preference amount per share plus all accrued and unpaid dividends to the date of redemption. The Company must redeem all outstanding shares of the Senior Preferred Stock on or before January 21, 2002. Senior Preferred Stock receives cumulative, compounded 10% annual dividends payable quarterly. Payment of the dividends on the Senior Preferred Stock is mandatory if sufficient surplus funds (after reasonable reserves for capital budget items and working capital reserves) are legally available for such purpose. Until the Senior Preferred Stock is fully redeemed, the Junior and Old Preferred Stock shall receive dividends payable in additional shares of Junior or Old Preferred Stock. For financial reporting purposes, the Senior Preferred Stock has debt rather than equity characteristics. Accordingly, it will not be classified as a component of stockholders' equity.

At March 31, 1992, the Stockholders' deficit was $69,146,000 . Dividends payable for the Senior, Junior, and Old Preferred Stock will be charged to the Company's results of operations. Accordingly, for the foreseeable future, it is probable that the Company's Common Stock equity will remain a deficit.

LIQUIDITY AND CAPITAL RESOURCES

For the first quarter of 1992, the Company's cash provided by operations was $214,000. During the first quarter 1992, the Company applied $579,000 toward the reduction of the principal balance of long-term secured debt under the Amended Credit Agreement. From December 31, 1991, the Company's cash and cash equivalents increased by $413,000 to $1,283,000 at March 31, 1992 which includes $775,000 that is restricted for the payment of undistributed net oil and natural gas revenues and $134,000 that is segregated for the payment of costs related to the consummation of the Plan.

Pursuant to the terms of the Amended Credit Agreement, which became effective February 1, 1992, the Company's minimum debt service requirements for 1992 will be approximately $6,600,000 including interest. The Company has no additional borrowing capacity under the Credit Agreement. Pursuant to the terms of the Credit Agreement, the Company is required to make the following minimum principal reductions:

Year	Amount (In Thousands)
1992	$ 4,400
1993	$15,150
1994	$ 7,800

Monthly debt service payments must be made and on a quarterly basis commencing April 30, 1992, minimum principal balance reductions must be satisfied. On April 30, 1992, the Company was unable to meet its minimum quarterly payment and was notified by BMO that an Event of Default had occurred under the Amended Credit Agreement. See "Financial Condition" for a further discussion of the effect of this Event of Default. In addition, accrued interest on $11,250,000 of the principal balance must be paid in full by December 31, 1992. The Company currently faces a serious cash flow problem and other than certain collateral that has been released pursuant to the Credit Agreement with a maximum value of $4,092,000 to provide for the payment of administrative claims and other claims that must be satisfied in order to consummate the Plan, all cash flow, net of certain costs and expenses, as defined, must be applied toward debt service. At this time, it is not determinable if all the collateral released pursuant to the Credit Agreement can be liquidated or if liquidated that it will be sufficient to fund the requirements under the Plan.

Uncertainty associated with the Company's ability to repay its long-term debt according to schedule may prevent the Company from further developing its oil and natural gas reserves and pursuing other business ventures designed to generate additional revenues.

The Company has filed a Motion for First Order in Aid of Consummation and a hearing regarding this Motion is scheduled to be held in July 1992. Excluding administrative claims and expenses, the Company will require approximately $1,400,000 to fund its obligation to satisfy claims pursuant to the Plan. Based on administrative claims filed and payments made, the Company has a potential obligation of approximately $3,260,000 for unpaid administrative claims as of June 30, 1992. The Company has negotiated compromises of certain administrative claims and on July 8, 1992, hearings regarding these compromises will be conducted in Bankruptcy Court. Pending the results of these hearings, the Company cannot currently determine what the extent of its obligations will be nor whether it will be in a position to fully satisfy these obligations. If the Company cannot fully satisfy these obligations, the Plan may not be substantially consummated and it is possible that the Company may be required to amend the Plan or seek additional relief from the Bankruptcy Court. If not extended, an order of substantial consummation for the Plan must be entered by the Bankruptcy Court by July 6, 1992, 180 days from the date of the Confirmation Order. Failure to consummate the Plan within that time period could result in the revocation of the Confirmation Order and the return of the Reorganization Proceeding to the pre-confirmation status. In such event, if an acceptable Plan under Chapter 11 of the Bankruptcy Code cannot be agreed to, the Company may seek to liquidate. The Company has filed a motion to extend the date for consummation of the Plan and a hearing regarding this motion will be conducted on July 6, 1992 in Bankruptcy Court.

Due to (i) the preliminary stage of the Company's efforts to increase and maintain its natural gas production, (ii) uncertainty regarding oil and natural gas prices, and (iii) the amount of debt service requirements pursuant to the Amended Credit Agreement, the Company's management has concluded that its net cash flow from oil and natural gas operations may not be sufficient to satisfy its obligations in full. Accordingly, sources of cash flow other than those from oil and natural gas operations, which may not be available, may be required for the Company to maintain a satisfactory liquidity position.

The Company's management is in the process of formulating a business plan to improve its liquidity position. However, there can be no assurance that any or all aspects of this proposed business plan will be implemented or if they are implemented that they will be as successful as projected. The components of the business plan include but are not limited to (i) the sale of certain non-core assets, (ii) the possible resumption of settlement discussions with NFG, (iii) the reduction of certain costs and expenses through greater efficiencies, (iv) the feasibility of restructuring or refinancing of the Company's long-term debt, and (v) the compromising or vigorously objecting to the allowance of certain administrative claims.

Part II. Other Information.

Item 1. Legal Proceedings

As was more fully described in the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, on February 22, 1990, TGX Corporation ("TGX") filed a voluntary petition (Case No. 90BK-10499) in the United States bankruptcy Court (the "Bankruptcy Court") for the Western District of Louisiana, Shreveport Division, for reorganization pursuant to Chapter 11, Title 11 of the U. S. Code. On January 7, 1992, an Amended Plan of Reorganization (the "Plan") for TGX was confirmed by the Bankruptcy Court. Since the filing date of the Annual Report on Form 10-K, there have been no substantial developments related to the legal proceedings described therein.

Item 3. Defaults by the Company on its Senior Securities

(a) The commencement of the Reorganization Proceeding on February 22, 1990 represented a technical event of default pursuant to the Company's bank loan agreements, Indenture for its Senior Subordinated Fixed Rate Notes, and other debt agreements. Such defaults will be cured pursuant to the provisions of the Plan.

(b) Pursuant to the terms of the Amended Credit Agreement, the Company is required to make certain minimum debt service payments. On April 30, 1992, the Company did not satisfy in full the required debt service payment and as a result BMO notified the Company that an event of default had occurred under the Amended Credit Agreement. BMO has further notified the Company that BMO is entitled to terminate its obligation to extend further credit and accelerate the New BMO Loans. BMO has requested that the Company meet to discuss the Event of Default. TGX's current deficiency for the April 30, 1992 required debt service payment is $150,000. If the Event of Default cannot be cured, the Company may be required to sell or otherwise dispose of certain of its assets or to otherwise renegotiate the New BMO Loan in order to cure the Event of Default. There can be no assurance that the Company will be able to sell sufficient assets or to otherwise renegotiate the Amended Credit Agreement. The Company cannot predict the effect on the Company's future operations or viability if this default is not cured.

(c) As of June 30, 1992, the Senior Preferred Stock had not been issued. Pursuant to the provisions of the Plan, dividends for the Senior Preferred Stock began accruing on the Effective Date, however, as of June 30, 1992, no dividends had been declared. The Senior Preferred Stock will receive a 10% annual compounded cash dividend, payable quarterly, provided however, that the payment of such dividends does not violate (i) Delaware Law which prohibits the payment of dividends when such payment would impair the capital of the Company or (ii) certain covenants in the Company's Amended Credit Agreement with BMO.

Item 6. **Exhibits and Reports on Form 8-K.**

(a). Exhibits: - None

(b). Reports on Form 8-K

On February 5, 1992, the Company filed a report on Form 8-K regarding the confirmation of the Plan.

On May 19, 1992, the Company filed a report on Form 8-K regarding the event of default under the Amended Credit Agreement.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TGX CORPORATION
(Registrant)

Date: July 6, 1992

By:
Joe W. Cluck, President, Chief Financial Officer, Chief Accounting Officer and Director